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## Creating a Philippine Commonwealth

BY DAVID H. POPPER

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# Creating a Philippine Commonwealth

BY DAVID H. POPPER

*with the aid of the Research Staff of the Foreign Policy Association*

IF President Quezon makes his expected visit to the United States during the next few months, he will come as titular head of an autonomous government confronted by grave political, economic, social and strategic problems. These arise not only from the geographic fact that the Philippine Islands is a rich, relatively underpopulated buffer area in the turbulent Far East, but also from the prospect of severe economic complications which seem certain to beset the new nation in the next ten years. The Philippine government itself is increasingly impelled to come to grips with these pressing questions. This report outlines the governmental machinery created for that purpose and considers some of the tests it must meet.

Although independence had long been the great desideratum of the Filipinos, the Philippine Legislature expressed the Islanders' dissatisfaction with the terms on which it was offered by rejecting the Hare-Hawes-Cutting Act, passed by Congress in January 1933.<sup>1</sup> Under the Roosevelt Administration a new law embodying a few changes—notably the surrender of American military reservations to the Republic of the Philippines<sup>2</sup>—but essentially similar in structure was approved on March 24, 1934.<sup>3</sup> The Philippine Legislature, although far from pleased with the provisions of the new law, accepted the plan on May 1, 1934. "Reasonable assurances of further hearing and due consideration of their views," the Legislature affirmed, were given the Filipino people in President Roosevelt's pledge that "where imperfections or inequalities exist, I am confident that they can be corrected after proper hearing and in fairness to both peoples."<sup>4</sup>

1. Foster Rhea Dulles, "The Philippines and the Hare-Hawes-Cutting Act," *Foreign Policy Reports*, January 3, 1934.

2. Article XVII of the Philippine Constitution stipulates that, prior to the complete withdrawal of American sovereignty, the government shall be known as the Commonwealth of the Philippines. Subsequently it will be called the Republic of the Philippines.

3. Philippine Independence Act, Public Law No. 127, 73d Congress. Also known as the Tydings-McDuffie Act.

In accordance with the provisions of the Independence Act, delegates elected to the Philippine Constitutional Convention met in Manila on July 30, 1934, and completed the task of drafting a constitution on February 8, 1935. A plebiscite was held on May 14 in which the constitution was overwhelmingly approved by a vote of 1,213,046 to 44,963.<sup>5</sup> On September 17 Manuel L. Quezon was elected President and Sergio Osmeña Vice-President of the Commonwealth of the Philippines by large majorities.<sup>6</sup> The new government was solemnly inaugurated on November 15, 1935.<sup>7</sup>

The powers of the present régime and its relations with the United States prior to recognition of the Philippine Islands as an independent power on July 4, 1946 are set forth in the Tydings-McDuffie Act. Pending complete withdrawal of American sovereignty the Commonwealth government possesses extensive autonomous powers, but these are subject to a number of important checks. Citizens of the Islands owe allegiance to the United States, and Philippine officials must recognize its "supreme authority." Foreign affairs are placed under "the direct supervision and control" of the United States. To exercise military responsibilities commensurate with its status this government retains the power to "expropriate property for public uses, . . . maintain military and other reservations and armed forces in the Philippines, and, upon order of the President, . . . call into the service of such armed forces all military forces organized by the Philippine government." The American Supreme Court continues as the Commonwealth's final tri-

4. Message of the President to Congress, March 2, 1934. U. S., 74th Congress, 2d session, "Compilation of Documents Relating to the Inauguration of the Government of the Commonwealth of the Philippines," *House Document No. 400* (Washington, Government Printing Office, 1936), pp. 1, 2. Hereafter cited as "Documents Relating to the Inauguration of the Commonwealth Government."

5. *Ibid.*, pp. 5, 24, 26-30.

6. President Quezon received 695,297 votes out of 1,022,862 cast; Mr. Osmeña 810,666 votes. *Ibid.*, pp. 32, 38.

7. *Ibid.*, pp. 65-73.

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bunal of review. All amendments to the constitution must be submitted for approval to the President of the United States. Finally, the United States is permitted to intervene to preserve the Commonwealth government and maintain it, in its constitutional form, to protect life, property and individual liberty, and to assure observance of government obligations.<sup>8</sup>

Through stringent regulation the continued financial solvency of the Commonwealth is assured. The approval of the President of the United States is required for foreign loans and for all laws affecting currency, coinage, imports, exports and immigration. He may also block any action of the Commonwealth which in his judgment will result in the government's failure to fulfil its contracts, impair its financial position, or violate international obligations of the United States. Acting through the United States High Commissioner, his representative in the Islands, he may take over the customs offices and apply the revenue to payment of the Commonwealth's debt if it should default. Additional functions may be delegated to the High Commissioner.<sup>9</sup> The Commonwealth receives an annual immigration quota of fifty from the United States.<sup>10</sup>

The provisions governing trade relations with the United States during the 10-year transition period are of crucial importance. Nominally they represent an attempt at gradual adjustment of the Philippine economy to enable it to withstand the shock of full tariff barriers, to be applied when independence is finally achieved. For the first five years under the Commonwealth government, annual duty-free shipments of the most important Filipino export products to the United States are limited to 850,000 long tons of sugar, 200,000 long tons of coconut oil and 3,000,000 pounds of cordage; excess exports pay full American tariffs. Beginning in 1940 a progressive export tax will be levied on all commodities now entering the United States duty-free, starting at 5 per cent of the American rates and increasing annually by an equal amount until a figure of 25 per cent is attained in

the last year of the Commonwealth.<sup>11</sup> Filipinos resent this arrangement as entirely one-sided; while they are expected gradually to curtail their shipments to the United States, they can neither protect Philippine products in the home market by collecting duties on imports from this country, nor alter Philippine tariff rates without the consent of the American President.

With limited competence in the fields of public finance, tariffs, immigration, and foreign, military and judicial affairs, the Philippine Commonwealth obviously cannot be termed independent or sovereign. Nevertheless, some Filipino publicists argue that because the functions reserved to the United States are passive in nature, the Commonwealth should be regarded as quasi-sovereign and permitted to conduct its own foreign relations in matters not directly affecting Washington.<sup>12</sup> The official American attitude, however, appears to be that this country retains "authority commensurate with and necessary for or appropriate to the ultimate responsibilities of sovereignty."<sup>13</sup> The American High Commissioner, Frank Murphy, has stated that "America . . . is still sovereign here."<sup>14</sup> The American State Department apparently regards the Philippines as American territory for legal purposes and intends for the present to conduct Philippine foreign affairs. This was indicated when the Department moved to discourage "abnormal" shipments of chromite from the Islands to Italy, in line with American neutrality policy during the Italo-Ethiopian dispute.<sup>15</sup>

On July 4, 1946 the United States, in accordance with the terms of the Independence Act, will re-

11. The Act provides that the tax is to be applied to retirement of the Islands' bonded indebtedness. The American government has been regarded as morally responsible for the payment of \$51,500,000 of outstanding Philippine government bonds.

12. The legal dispute on this point turns on the interpretation of the words "direct supervision and control" of foreign affairs. Practically, the point is made that the Philippines should be allowed to conclude reciprocal trade treaties with Far Eastern states to ease the necessary economic readjustment. It is suggested, for example, that modification of the status of Chinese, who are not permitted to immigrate to the Islands under American laws in force, might be bargained off against export advantages. Such agreements would of course be subject to American approval and would not directly affect American interests. Bernabe Africa, "The Foreign Relations of the Philippine Commonwealth," *Philippine Social Science Review* (Manila), September 1936, p. 205.

13. "Documents Relating to the Inauguration of the Commonwealth Government," cited, p. 24. Public statement of President Roosevelt, March 23, 1935.

14. *New York Times*, December 1, 1935.

15. *Ibid.*, December 20, 27, 1935. American regulations governing the export and import of arms, ammunition and implements of war under the Neutrality Act are applied in the Islands. *Philippines Herald*, October 9, 1936.

8. Striking similarities have been noted between some of the terms of the Tydings-McDuffie Act and the Platt Amendment, which formerly determined our relations with Cuba. Cf. Philip C. Jessup, "Philippine Independence," *American Journal of International Law*, January 1935, p. 83.

9. Conversely, the Commonwealth is represented at Washington by a Resident Commissioner who may debate but not vote in the House of Representatives.

10. Exception is made during the Commonwealth period in the case of Philippine citizens who are citizens of the United States, and also for immigration to Hawaii, where Filipino labor is used on sugar plantations. After independence, Filipinos will be barred as Asiatics under the immigration law.

linquish its sovereignty and surrender military reservations covering 300,000 acres. Subsequently, a treaty will guarantee the same advantages to existing property rights of American citizens or corporations as are accorded those of Filipinos; provide for assumption by the Commonwealth of existing governmental debts; and make such obligations a first lien on Philippine taxes. Two important matters are left for future settlement by the Act. Naval reservations and fueling stations will be retained by the United States pending the outcome of negotiations on their disposition to be begun not later than two years after establishment of the Republic. The President of the United States is "requested" to attempt the conclusion of a treaty for the perpetual neutralization of the Philippine Islands at the earliest practicable date. After independence American trade relations with the Islands are to be the same as those with other foreign countries unless altered as a result of a trade conference, to be held at least one year prior to July 4, 1946.

#### THE NEW CONSTITUTION

To the legislative control granted the Filipinos under the Jones Law of 1916 the new Constitution adds much executive authority. A skillfully drafted document with some ingenious provisions, it sets up a centralized, Presidential organization, largely adapted from existing American and insular systems of government. Unfortunately, the parliamentary elements of the pre-Commonwealth régime, in which leaders of the Legislature exercised some control over administration, were abandoned in favor of a system of separation of powers, checks and balances enhancing the freedom of the Executive.

The legislative power is vested in a unicameral National Assembly elected every three years by literate Filipino males over 21 year of age.<sup>16-17</sup> Women will be given the ballot if 300,000 of them approve in a plebiscite to be held within two years. The Assembly's acts are subject to Presidential veto which may be overridden, except in a few cases, by a two-thirds vote. Its fiscal powers are limited by the parliamentary stipulation that appropriations of the executive budget may not be increased except for the National Assembly and the Judicial Department. Only the Assembly may declare war, acting by a two-thirds majority. Finally, the functions of impeachment and confirmation of Presidential appointments, characteristically left to second chambers, are exercised by special commissions

elected by the Assembly on the basis of proportional representation of the political parties included therein.

The Presidency is held for a term of six years; no President may succeed himself although there is no bar to re-election after a six-year interval. Chosen by a simple plurality vote, the President has general executive powers and in addition a large measure of control over provincial and local governments. In accordance with modern trends, the President is given important financial prerogatives: he frames the budget, has the power to veto separate items of appropriation and tariff bills, and may fix tariffs and import or export quotas on authorization of the National Assembly. In time of war or other national emergency, moreover, "the National Assembly may by law authorize the President, for a limited period and subject to such regulations as it may prescribe, to promulgate rules and regulations to carry out a declared national policy."<sup>18</sup> The Executive may thus on occasion assume dictatorial powers by legal process.

An attempt is made in the Constitution to reconcile the implications of a liberal political system with the paternalism traditional in the Philippines. A bill of rights, required by the Tydings-McDuffie Act, safeguards personal and property rights and prohibits the passage of laws impairing the obligation of contracts. The constitutionality of all governmental acts is subject to adjudication by the Supreme Court of eleven justices, but no treaty or law may be declared invalid without the concurrence of two-thirds of the Court. Gradual progress toward state socialism is apparently envisaged in a broad authorization permitting the state, "in the interest of national welfare and defense," to "establish and operate industries and means of transportation and communication, and, upon payment of just compensation, transfer to public ownership utilities and other private enterprises to be operated by the Government."<sup>19-20</sup> Franchises may be altered or repealed by the National Assembly in the public interest. The government is required, furthermore, to "afford protection to labor," and "regulate the relations between landowner and tenant, and between labor and capital."

Although its provisions do not go so far in this respect as some Filipinos desire, the new Constitution does embody restrictions designed to prevent foreigners from extending their economic control in the country. Except for rights existing when the Commonwealth was inaugurated, all public lands, minerals and other natural resources are declared

16-17. Cf. text of constitution in "Documents Relating to the Inauguration of the Commonwealth Government," cited, pp. 5 ff.

18. Article VI, section 16.

19-20. Article XII, section 6.



the property of the state, and only Philippine citizens or corporations with 60 per cent domestic capital may exploit them. Holdings of public and private lands are to be limited in size in the future. The establishment of alien agricultural colonies is hindered by a section providing that, save in cases of hereditary succession, land can be transferred only to native interests.

Given an advanced electorate and a strong two-party system the Constitution would no doubt provide a sound basis for the practice of democratic government. In the light of existing conditions in the Philippines, however, it lends itself to the establishment of what is essentially a legal dictatorship. The cultural level of the Filipino masses is low by Western standards,<sup>21</sup> and the direction of public affairs is almost entirely in the hands of a small élite. Centralized authority under a single individual is the political heritage of the Philippines and is considered a necessity in the archipelago by many leading Filipinos.<sup>22</sup> It has been impossible successfully to challenge the governing clique with a stable opposition party alternately holding power.<sup>23</sup> The bitter factional struggle in the Islands over the acceptance of the Hare-Hawes-Cutting Act aroused hope for such a development, but this was dashed by the formation of a coalition to share the spoils of victory in the new Commonwealth. Again, a minority party failed to materialize when Quintín Paredes, speaker of the last Philippine House of Representatives, led an unsuccessful attempt to secure real political authority for the National Assembly and its speaker shortly after the advent of the new régime.<sup>24</sup>

Under President Quezon the existing coalition is in full control of policy and patronage. The President's "dictatorship" seems scarcely less complete for being exercised under constitutional forms. With the rejection of the parliamentary system of government, even the potential check of executive responsibility to the Legislature has been removed; and the National Assembly's commis-

sions of appointment, impeachment and elections, while apparently safeguards against Presidential domination, actually place the Chief Executive and party leaders almost beyond the reach of the Assembly as a whole. For protection against the contingency of absolute dictatorship the Filipinos can therefore look only to the self-restraint of political leaders and, until 1946, to the powers reserved to the United States.<sup>25</sup>

#### THE ECONOMIC OUTLOOK

When virtual free-trade relations between the United States and the Philippines were established in the Tariff Act of 1909, many Filipinos rightly protested that the archipelago would become an enclave in a highly protected American market. The Islands have in fact been forced by economic pressure to concentrate on the production of a few natural tropical products sold principally in this country, deferring the diversification of agriculture and industry which would have facilitated the attainment of political freedom. Approximately three-quarters of Philippine external trade, which rapidly expanded under the American flag, is now carried on with the United States, which in 1935 took 80 per cent of Philippine exports and furnished 64 per cent of the imports.<sup>26</sup> The extent of American predominance is better revealed by the table (page 238) of leading exports and imports, for every one of which the United States is the principal market or source of supply.

Although still a very poor second as a trader in the Islands, Japan is making progress despite the tariff barrier. It took 2.70 per cent of Philippine exports and furnished 7.75 per cent of the imports in 1932, but by 1935 the figures had increased to 5.69 and 14.23 per cent respectively. Total trade with Japan, however, was only 35,000,000 pesos, as compared with almost 260,000,000 for the United States.<sup>27</sup> While it might to a large extent displace this country as a source of supply for an independent Philippines, Japan would probably find it difficult greatly to increase its imports of present Philippine surplus products.

The prospect of the loss of this lucrative American export market—the Philippines stood twelfth

21. Despite considerable progress under the American régime, the Philippine government provided school facilities for only 37 per cent of Filipino children of school age in 1934. U. S. 74th Congress, 2d session, "Annual Report of the Governor General of the Philippine Islands, 1934," *House Document No. 411* (Washington, Government Printing Office, 1935), p. 12.

22. Cf. Salvador Araneta, "Dictatorship under an Atmosphere of Democracy," *Philippine Social Science Review* (Manila), July 1935, p. 153; Felipe Mabilangan, "This Modern Age Demands Concentration of Powers," *ibid.*, February 1936, p. 29.

23. Cf. Ifor B. Powell, "The Commonwealth of the Philippines," *Pacific Affairs* (Honolulu), March 1936, p. 33.

24. Paredes was subsequently named Resident Commissioner to the United States by President Quezon. Some sources assert this constitutes "political exile." *La Vanguardia* (Manila), October 20, 1936.

25. Cf. Powell, "The Commonwealth of the Philippines," cited.

26. *Philippine Statistical Review* (Manila), Fourth Quarter 1935, pp. 240, 255.

27. Philippine Islands, Department of Finance, *Annual Report of the Insular Collector of Customs, 1934*, cited, p. 72; U. S. Department of Commerce, *Philippine Economic Conditions: Annual Report for 1935* (Manila, mimeographed, 1936). Until 1935, trade statistics indicate, Japanese gains were made at the expense of countries other than the United States.

## UNITED STATES SHARE, BY COMMODITIES, IN PHILIPPINE OVERSEAS TRADE\*

(in millions of pesos: one peso equals 50 cents)

EXPORTS				IMPORTS			
Item	Value of total ex-ports, 1934	% to U. S. 1934	% to U. S. 1933	Item	Value of total im-ports, 1934	% from U. S. 1934	% from U. S. 1933
sugar	130.9	99.9	99.9	cotton goods	31.2	50.1	62.9
hemp	17.3	31.1	29.3	iron and steel products	22.8	77.9	73.9
copra	17.2	45.3	66.5	mineral oils	12.8	86.1	87.7
coconut oil	13.6	94.1	98.4	automobiles, etc.	10.3	97.6	91.4
tobacco and mfrs.	10.4	64.8	57.5	meat and dairy products	8.2	67.3	56.9
embroideries	5.3	99.7	99.7	paper and mfrs.	6.4	76.0	69.3
desiccated coconut	4.5	99.9	99.8	tobacco products	5.9	97.6	98.3
lumber	4.3	35.7	41.2	wheat flour	5.2	69.3	73.8
cordage	2.7	58.9	62.6	chemicals, etc.	4.8	70.1	76.1
hats	2.3	61.1	72.4	silk and rayon mfrs.	4.6	51.1	51.7

\*Source: U. S., 74th Congress, 2d session, "Annual Report of the Governor General of the Philippine Islands, 1934," *House Document No. 411* (Washington, Government Printing Office, 1936), pp. 13-18.

on the list of the United States' customers in 1935—has done little to offset the pressure of sugar, dairy, farm and vegetable oil interests, which forced the independence acts through Congress.<sup>28</sup> Moves to preserve existing outlets have been limited chiefly to cotton textile exports, which have sharply declined in the face of Japanese competition. Agitation by textile interests has resulted in adoption of a two-year limitation of Japanese shipments, beginning August 1, 1935, to 45,000,000 square meters annually, or less than half the total imports by volume—a figure below the level attained in 1934 and 1935 but higher than that for previous years.<sup>29</sup> Despite difficulties arising from the indirect importation of Japanese textiles through Hongkong, the agreement is permitting American goods to retain a footing in the Islands. A new factor in the situation, however, is increased competition from Japanese rayons.<sup>30</sup>

## PROSPECTS FOR LEADING EXPORTS

Following a sharp rise in production in previous years, sugar in 1932-1934 accounted for 60 per cent of Philippine exports. Practically all external shipments went to the United States. The industry dominates the economic life of the country, and represents an investment of over \$250,000,000; it provides 60 per cent of the government's revenues and nearly 30 per cent of the national income.<sup>31</sup>

28. For a survey and critique of the motives of these groups, cf. Grayson L. Kirk, *Philippine Independence* (New York, Farrar and Rinehart, 1936), Chapters IV, V.

29. U. S. State Department, *Press Releases*, October 19, 1935, pp. 309-11; Mitsubishi Economic Research Bureau, *Japanese Trade and Industry, Present and Future* (London, Macmillan, 1936), pp. 564, 565.

30. U. S. Department of Commerce, *Philippine Economic Conditions: Annual Report for 1935*, cited, pp. 20-22.

31. Estimates based on data for 1932, as calculated by Governor-General Frank Murphy. Cf. Rafael R. Alunan, "Sugar

With a market guaranteed by the American tariff wall, production has rapidly increased through the use of improved plant varieties and methods of cultivation. A subsequent stimulant was the desire to be credited with large shipments as the bases for possible quota limitation. In 1934 a record total of 1,500,000 short tons of sugar was sold in the United States. As an adjunct of the United States sugar adjustment program, the basic quota for the Philippines was set at roughly 1,000,000 short tons, or about 15 per cent of American consumption.<sup>32</sup> The economic effects of this reduction, however, were partially cushioned by benefit payments. Including these, the estimated income from sugar exports, in millions of pesos, has fluctuated as follows:<sup>33</sup>

1929	106.5	1933	128.7
1930	104.5	1934	130.9
1931	99.9	1935	91.0
1932	119.6	1936	131.0 (preliminary)

The evidence suggests that Filipino interests would be content with an export quota of 1,000,000 tons annually, although this total is considerably below that which would be reached if unrestricted production were permitted on existing sugar acreage. A Philippine restriction scheme keeps crops at a marketable level.<sup>34</sup>

under the New Régime," *American Chamber of Commerce Journal* (Manila), October 1935, p. 5.

32. U. S. Department of Agriculture, *Agricultural Adjustment in 1934* (Washington, Government Printing Office, 1935), pp. 161-64, 315 ff. This figure was based on average Philippine sugar exports to the United States for the three years 1931-1933. Since the quota applied retroactively to the excessive 1934 crop, 1935 exports to the United States were limited to 524,000 tons.

33. *Sugar News* (Manila), April 1936, p. 152.

34. One beneficial effect of limitation is to stop the growth of the sugar industry, thus ending the tendency toward development of a more one-sided economy with undesirable social and political consequences.

The immediate situation is not drastically modified by the Independence Act, although the duty-free quota is reduced to 952,000 short tons. The ultimate fate of the industry depends on the continuance of a quota system which keeps the price of sugar in the United States far above the world quotation plus the duty on Cuban sugar.<sup>35</sup> Under the current restriction scheme—which virtually assures the Filipinos a definite share of the American market at a high price—the export tax will not measurably cut down Philippine shipments to this country, although it will reduce the large profits. Even if quota restriction is abandoned and the duty for Cuba reverts to 1.5 cents a pound, the Islands should still be able to compete in this country until 1946.<sup>36</sup> After independence, however, the industry could continue only if tariff preference or quotas kept the yield to producers above the world price. Otherwise, not much could survive even if granted customs treatment as favorable as Cuba's. Competition in foreign markets against lower-cost sugar from Java and Cuba would probably be impossible unless the chaotic world sugar situation were ameliorated through an international agreement which would allocate a small quota to the Republic. Some plantings might then be made on the richest lands, for home consumption and export. In any event, efforts to reduce costs by devaluation of the peso and reduction of wages, coupled with much reduced production, might well lead to social revolution.

Coconut products constitute the second Philippine export. Philippine coconut oil benefits from an American duty of 2 cents a pound on foreign oil, imposed in 1930; copra (coconut meat, from which the oil is pressed) is on the free list. The provisions of the Independence Act will have little direct effect on the industry prior to 1940. Copra exports are not restricted, while the 200,000-ton limitation on duty-free coconut oil is appreciably higher than the present level of shipments. The impending transfer of the crushing industry to this country after the export tax is applied is a relatively small loss partly offset by larger orders for copra to be crushed in the United States.<sup>37</sup>

35. Before 1934 American prices were about equal to the world price plus the preferential Cuban duty. Under quota limitation the average American price for 1935 exceeded the world quotation by 2.24 cents a pound. The duty on Cuban sugar is now only .9 cents and the full duty, 1.875 cents.

36. For a comparison of Philippine and Cuban production costs, cf. U. S. Tariff Commission, "Report to the President on Sugar," *Report No. 73, second series* (Washington, Government Printing Office, 1934), pp. 14, 15, 124 ff.

37. Cf. Philippine Economic Association, *The Economics of the Hare-Hawes-Cutting Act* (Manila, Peoples' Press, 1933), pp. 10, 24 ff.

The real danger confronting the Philippine industry arises from the professed alarm of American dairy and farm groups at the competition of coconut and other foreign oils with domestic fats and oils. Pressure by these interests led to the imposition of a processing tax of 3 cents a pound on coconut oil made from Philippine copra only a few weeks after the passage of the Independence Act—a move stigmatized by President Roosevelt as "directly contrary to the intent" of its provisions.<sup>38</sup> Since many domestic fats and oils are by-products of such industries as meat-packing and cotton production, there is no guarantee that the tax will bring out an additional American supply. Hence its burden falls on the American consumer and to some extent the Philippine producer. Moreover, fats and oils are not readily interchangeable for all purposes. Other fats can be substituted in the manufacture of margarine, the destination of over a fifth of the Philippine coconut oil used in this country; but in soap, the outlet for nearly 60 per cent of Philippine oil, American consumers strongly prefer qualities given by coconut oil.<sup>39</sup>

Assuming continuance of the excise, the position of the Philippine industry after 1946 will depend on whether the 2-cent tax preference over foreign oils now granted Philippine coconut oil will continue. American legislation is not specific on this point. With the preference, the industry will probably not meet much additional difficulty; without it, it will be very seriously harmed.

The patent unfairness of the excise tax in the light of the Tydings-McDuffie Act led to the passage of a special stipulation providing that the levy on Philippine coconut oil should be returned to the Philippine government, but that in case any funds

38. Revenue Act of 1934, section 602½, approved May 10, 1934; *Congressional Record*, April 15, 1936, pp. 5735 ff. Foreign oil was subjected to a 5-cent tax.

39. In fact, despite the tax, purchase for edible purposes has increased because of the domestic fats shortage—an outcome quite contrary to that desired by dairy interests. (*Congressional Record*, April 15, 1936, p. 5737.) A new proposal advocated by Philippine producers calls for removal of the tax on oil rendered inedible, so that the Filipinos may regain their place in the more stable portion of the market, which they prefer, while American groups retain preference in the market for edible use. (Cf. H. R. 8000, 74th Congress—Guffey-Dockweiler Bill.) This solution, however, is undesirable in the sense that since other foreign oils would still be subject to recently imposed excises, Philippine interests would be placed in a stronger position in the United States market than they occupied before application of the taxes. They would compete with imported, taxed oils and fats on the same basis as domestic, untaxed products. The result would be to increase the preferential position of a major Philippine export to the United States when the Independence Act envisages progressively lower preference. From an economic standpoint the excise taxes on all foreign oils should be removed to restore the original status for the benefit of the American consumer.

were used as a subsidy to the coconut industry, payments should forthwith cease. The sum owed the Commonwealth, held in the United States by litigation, now amounts to over \$37,000,000—a figure greater than the annual income of the Philippine government.<sup>40</sup> Another windfall due the Philippines is the “profit” of \$23,862,750 realized on Philippine gold reserves held in this country when the dollar and the peso were devalued.<sup>41</sup>

If abaca (Manila hemp) remains on the American free list, its production will not be affected by the Independence Act. Cordage, the manufactured product, may be able to surmount the full tariff wall after 1946. After an agreement between Philippine and American producers—the latter alarmed at present and potential competition even on payment of full duty—Congress passed a Cordage Act establishing an absolute import limit of 6,000,000 pounds a year for at least three years beginning May 1, 1935, in place of the tariff quota under the Tydings-McDuffie Act.<sup>42</sup>

The United States takes two-thirds of the fourth Philippine export, tobacco products, principally in the form of cheap cigars. The cigar industry is important in Philippine economy; it employs perhaps 20,000 factory workers in and around Manila.<sup>43</sup> The export-tax will virtually end shipments to the United States. With the destruction of the American market, Philippine imports from this country of cigarettes and materials used in the cigar industry, which approximately equal American imports of Philippine cigars, will probably also collapse.

The restriction of leading imports from the Islands may be justified from a purely economic point of view, since free trade between the two areas represents a distinct liability to the United States. The argument in support of this thesis rests on the fact that sugar dominates the Philippine export picture and is therefore responsible for the

bulk of Filipino purchases here. Imports of Philippine sugar are in essence bought at a premium by this country, inasmuch as the same sugar—calculating on a basis of 1,000,000 tons—would have yielded Philippine producers approximately \$44,800,000 less if sold on the world market during 1935.<sup>44</sup> Had the United States purchased this sugar in Cuba, it would have collected duties without affecting the price to consumers.

To be sure, this indirect subsidy to the Philippines under the American quota system is partially offset by benefits to certain private American export interests which could not otherwise find a market in the Islands.<sup>45</sup> But this compensating factor is of comparatively small importance.<sup>46</sup> Hence it may be stated that while the free-trade relationship is clearly of advantage to the Philippines, its discontinuance would benefit the United States as a unit. This would not be true, however, if Philippine economy were permitted to collapse and the United States were involved in the succeeding disturbances. The Independence Act, with the somewhat haphazard alterations made at the behest of sugar, fats and cordage interests, clearly necessitates moves toward economic readjustment in the Islands to offset the impending loss of markets here. Although President Roosevelt contemplated calling a trade conference for this purpose “at as early a date as practicable,”<sup>46a</sup> the project appears to have been delayed for the present.

Some insular sources maintain that the deflation caused by loss of exports will be mitigated through the rapid expansion of gold mining operations. Stimulated by devaluation, production is expected to reach 42,000,000 pesos in 1936, with an annual level of 50,000,000—almost 25 per cent of normal merchandise exports—apparently soon to be attained.<sup>47</sup> Producers fear not only that the commodity value of gold may soon fall, but that with other industries choked off the government may impose burdensome taxation on the mines; they are therefore intent on accelerating production to

40. Figure for end of September 1936. The fund is increasing at the rate of \$1,500,000 monthly. Bureau of Internal Revenue (Washington). Philippine government income from the general fund in 1935 was reported by the Secretary of Finance to have been over \$34,000,000. *Philippine Journal of Commerce* (Manila), July 1936, p. 24.

41. Its return was authorized in Public Law No. 419, 73rd Congress, approved June 19, 1934, but that body has refused to make the necessary appropriation. An act to repeal the authorization (S. 3486, 74th Congress) passed the Senate but did not reach the floor of the House. *Congressional Record*, May 18, 1936, pp. 7568 ff.

42. Public Law No. 137, 74th Congress, approved June 14, 1935. This figure approximates average shipments to the United States for the ten years ending 1935. Cf. *Congressional Record*, June 3, 1935, pp. 8874 ff.

43. Cf. José C. Ramos, “Economic Aspect of the Tobacco Industry in the Philippines,” *Philippine Journal of Commerce*, August 1936, p. 7.

44. Based on average 1935 spread of 2.24 cents a pound between United States and world prices. Total exports of the United States to the Philippine Islands in 1935 were \$52,595,312.

45. Cotton goods, tobacco manufactures, meat and dairy products, silk and rayon goods, and wheat flour, for example, owe their position to duty-free trade.

46. For three reasons: goods sold in world markets would probably continue to find outlets in the Philippines despite tariffs; some sales would be lost in any event by increased competition from third countries; and the shift in purchases of sugar to other areas might well result in increased exports to them.

46a. U. S. State Department, *Press Releases*, April 13, 1935, p. 231.

47. *Philippine Journal of Commerce*, August 1936, pp. 3, 31.



the utmost.<sup>48</sup> Mineral resources of other varieties are likewise present in the Islands. The tapping of extensive deposits of chromite began during 1935. Some iron ore has been shipped to Japan. Less definite possibilities for the exploitation of manganese and petroleum also exist.

Mining may somewhat modify insular economic prospects, but it cannot essentially alter the need for radical measures of readjustment. Gold mines employed only about 16,000 workers in 1935. Unless other markets can be found—a highly problematic assumption—there remains the basic problem of finding occupation for the millions who now depend for livelihood on the export of agricultural products. An obvious solution lies in the domestic production of those articles, now imported, which can be grown or manufactured in the Philippines. Numerous plans for agricultural and industrial diversification have been worked out by government authorities.<sup>49</sup> In agriculture, efforts are being made to stimulate the cultivation of cacao, coffee, potatoes, onions, cotton, peanuts, fruits, kapok, hay, corn, quinine, meat and other products which would enable the Commonwealth to approach self-sufficiency in foodstuffs and materials of the soil.<sup>50</sup> A beginning has been made in this field, but the work is hampered by inadequate funds for experimentation and education.<sup>51</sup> In some cases producers of such commodities as cotton cannot compete abroad without lowering their standard of living; and the Commonwealth cannot protect the domestic market against imports from the United States. For other plants, such as American-type tobacco, the soil has been found unsuitable. Agricultural development may also be hindered by stringent land laws preventing the establishment of large plantations.

Plans have also been made in the industrial field but, unfortunately, are still largely in the blue-print stage.<sup>52</sup> There appears to be general agreement on the necessity for small enterprises to supply home demand, rather than large-scale industrialization.<sup>53</sup> Household and workshop industries are

to be promoted to utilize seasonally unemployed farm labor and available raw materials in the production of food, clothing and articles for home use such as glass, meat and clay products, cotton yarn, textiles, hemp sacking, dairy products, paper, soap and salt. The road from blue-prints to realities is, however, studded with difficulties. In some lines tariff protection will be necessary. Technicians are scarce. Capital would have to be furnished either from abroad or by a government suffering from loss of revenue due to destruction of its large export industries. Finally, it remains to be seen whether the Filipinos possess the necessary resources in leadership and organizing ability.

#### THE TENANT PROBLEM

Developing under a patriarchal, semi-feudal land system, Philippine agriculture has never been supported by a strong middle class of farmers and tradesmen. The average Filipino peasant is a culturally backward individual, and will till only a small plot of land; his status does not appear to have improved greatly in the past generation.<sup>54</sup> With land ownership concentrated in relatively few hands, bitter poverty testifies to the seriousness of the tenant problem. Even where peasants own the land, they are a constant prey to usurers and middlemen who employ their superior bargaining power to grind down the small producer. From this background springs the Sakdal party, which in May 1935 led a serious outbreak against alleged exploitation by political leaders and for immediate independence.<sup>54a</sup> Less publicized incidents have recurred intermittently. Both agrarian radicalism and communism are sharply repressed by the government. Under these circumstances, the possibility of revolt stemming from the deflation which will be caused by export barriers must be faced.

Conditions are particularly unsatisfactory in the large rice-growing areas which furnish a basic food for three-quarters of the population.<sup>55</sup> According to a recent government survey the economic plight of tenants and small farmers forces them to sell their share of the crop to speculators on a temporarily glutted market. Prices then rise steeply as much as 150 per cent, while peasants are unemployed for the six months when the crop is not worked.<sup>56</sup>

48. René G. DuBois, "The Gold Mining Boom in the Philippines," *The Annalist*, October 9, 1936.

49. Cf. Philippine Islands, *Annual Report of the Department of Agriculture and Commerce, 1934* (Manila, manuscript, 1935), pp. 3 ff.

50. *Ibid.*; cf. also Hilarion S. Silayan, "What Shall We Do With Our Idle Sugar Lands?" *Sugar News*, September 1936, pp. 363-66.

51. *Philippines Herald*, January 4, 1936.

52. Cf. Manuel L. Roxas, *Philippines Herald*, November 2, 1935.

53. Cf. address of Joaquin M. Elizalde, President of the Philippine National Development Company, *Congressional Record*, May 3, 1935, p. 7206.

54. Cf. Vicente Villamin, quoted in *Sugar News*, January 1936, p. 27; Manuel L. Roxas, *Philippines Herald*, March 31, 1936.

54a. Cf. George A. Malcolm, *The Commonwealth of the Philippines* (New York, Appleton-Century, 1936), pp. 281 ff.

55. Commonwealth of the Philippines, *Report of the Rice Commission to the President of the Philippines* (Manila, Bureau of Printing, 1936), pp. 68, 69.

Besides these economic and social difficulties, numerous other problems will confront the Republic. The question of the government of the Moros—fierce Moslem tribesmen inhabiting the Sulu archipelago and part of Mindanao—may well become acute with the removal of American control. An attempt will probably be made to break the dominance of the Chinese and Japanese in retail trade. Population pressure from China, an inexhaustible supply of cheap labor for mines or plantations, must be withstood. Finally, relations with Japan are certain to be difficult. Friction may arise over the question of landholdings in the Japanese settlement at Davao, in Mindanao, where about 15,000 Japanese have transformed a wilderness into a center for the production of abaca by modern methods far more efficient than those of the Filipinos.<sup>57</sup>

#### THE NATIONAL DEFENSE PLAN

Probably the most significant step yet taken under President Quezon's leadership has been the establishment of a defense system planned, apparently, by General Douglas MacArthur, former Chief of Staff of the United States Army and now Philippine Field Marshal.<sup>58</sup> Its avowed purpose is to make conquest of the Islands so difficult and costly that no opponent will hazard the task.<sup>59</sup> This is to be achieved by a thoroughgoing system of conscription, creating 400,000 reservists and imparting some elements of military duty to 1,250,000 men by 1946.<sup>60</sup> Training will utilize the schools—3,000 teachers have already taken courses to prepare for instruction—and will start with pupils 10 years of age, continuing through a junior reserve for youths aged 18 to 21. Each year 40,000 21-year-old conscripts will serve with the colors for five and a half months and then receive short periods of training until they reach the age of fifty. The core of the organization will be the regular army, com-

posed of volunteers serving three years, which will attain a maximum strength of 1,500 officers and 19,000 men including the existing constabulary.<sup>61</sup> The whole scheme will be coordinated with a system of adult education to instill the virtues of national consciousness, patriotism and discipline in the general population.<sup>62</sup>

Since the strength of the constabulary, the sole armed force now supported by the Philippines, was only recently increased from 5,500 to 9,000,<sup>63</sup> the new program obviously places a severe financial burden on the Commonwealth. According to present plans the cost will be \$80,000,000, to be spent in ten equal annual instalments—about 25 per cent of the present budget.<sup>64</sup> Critics of the program point out that funds will be drawn from appropriations for education, the only large item of expenditure on which cuts can easily be made, and that the educational process itself will be militarized as a result of the plan.<sup>65</sup> Admitting that sacrifices will have to be made, Field Marshal MacArthur justifies them by stating that national independence and individual liberty cannot be preserved except by military effort on the scale adopted. In his opinion the Philippines constitutes the spearhead of Western civilization in the Orient, and its subjugation would amount to a defeat for democracy and Christian culture. He maintains, furthermore, that the program is purely defensive and that the Commonwealth will not possess a navy for aggressive purposes.<sup>66</sup>

In view of the prevailing situation in the Philippines and the Far East, however, the defense program should be viewed in a broader sense. In the first place, it would be a potent weapon in the hands of President Quezon should he consider it necessary to quell unrest by dictatorial methods. Sec-

61. Cf. Commonwealth Act No. 1, approved December 21, 1935; printed in *Messages of the President*, cited, pp. 117 ff.

62. Cf. Commonwealth Act No. 80, approved October 26, 1936.

63. *Message of Governor-General Frank Murphy to the Tenth Philippine Legislature in its Final Session, November 14, 1935* (Manila, Bureau of Printing, 1935), p. 17.

64. It is only fair to state that this sum will include some 7,000,000 pesos now spent each year for the Philippine Constabulary. On the other hand, there is no guarantee that the military will not increase their demands. Supplies are to be produced locally whenever possible; armaments are already being purchased directly from the United States government.

65. Cf. Harold E. Fey, "Sabotaging Filipino Schools," *Christian Century* (Chicago), November 4, 1936, p. 1454.

66. An offshore patrol of 50 to 100 fast, light torpedo boats, however, will be constructed to harass an approaching naval force. MacArthur has also stated that at the end of ten years the Philippines expects to have 250 planes, including 70 bombers, for the same purpose. Cf. MacArthur Report to President Quezon on National Defense, in *Philippines Herald*, June 19, 1936; also *Philippines Herald*, April 8, 1936.

56. *Ibid.*, *passim*. By selling cheap imported rice and, since the inauguration of the Commonwealth, by forming a public corporation to stabilize prices, the government has shown its desire to correct maladjustments. Observers doubt, however, that any step yet taken is adequate to solve the problems of an industry in which both high and low prices cause widespread suffering. *American Chamber of Commerce Journal*, May 1936.

57. For a survey of the situation in Davao, cf. articles in *American Chamber of Commerce Journal*, August 1936.

58. MacArthur's participation in the new military organization was requested by Quezon in November 1934. An American military mission with the Field Marshal at its head now functions in the Islands under Congressional authorization. Public Law No. 56, approved May 14, 1935.

59. *Messages of the President* (Manila, Bureau of Printing, 1935), p. 22.

60. Cf. Vicente Albano Pacis, *Philippines Herald*, April 6, 8, 1936.

ond, it appears possible that, since the program was approved by War Department authorities in Washington prior to its adoption,<sup>67</sup> it is intended to strengthen American military power in the Western Pacific in the event of war with Japan. If not for these purposes, why, it is asked, should the Philippines embark on a course of militarization which they can ill afford, when to many it seems impossible for the Islands to withstand the onslaught of a great power without foreign aid? Why assume such a heavy expense only to pyramid a native military structure atop the American force responsible for the safety of the area until 1946?<sup>68</sup> Defense of the Philippines is primarily a naval problem; an attacker would doubtless blockade the Islands' ports rather than attempt an immediate landing. It is at least a reasonable hypothesis that—with the expiration of the non-fortification provisions of the Washington Naval Treaty at the end of 1936—the American navy may develop a first-class base in the Philippines. If war comes, the Islands might then be held for a time by Philippine-American forces, immobilizing sufficient Japanese strength to facilitate naval operations against Japan in the north by way of the Aleutians.

The remarkably full legislative record of the National Assembly during the first year of the Commonwealth reflects the energy and enthusiasm which Filipino leaders have devoted to the new government. Under constitutional and legislative mandate, Quezon has moved to reorganize the executive bureaucracy, foster the development of the merit system, institute a modern budgetary procedure, and improve the judiciary.<sup>69</sup> A National Economic Council has been set up for the planning and coordination of private and government initiative in the development of a more stable Philippine economy. The new government has embarked on a middle-of-the-road social policy, including some measures to better the position of the underprivileged but repressing all who demand more far-reaching action to break the grip of landholders and capitalists. Frankly motivated by po-

litical opportunism, the Commonwealth has sought to stem unrest by setting a minimum wage of 30 pesos a month for national government employees and authorizing the establishment of an arbitration tribunal empowered to set up wage and other standards. Rack-rented tenants may be aided by provision for government purchase of their homesites from landlords for subsequent resale to the occupants, and by adoption of a roadbuilding plan to encourage settlement in Mindanao.<sup>70</sup> New taxes have been voted to defray mounting expenses. The conservation and development of natural resources, particularly mines, forests, and hydroelectric power, are under consideration. Finally, the President has been authorized to alter tariffs on imports within specified limits in order to aid economic readjustment.<sup>71</sup>

Despite this encouraging beginning, the existence of problems falling into three categories precludes excessive optimism. First, unless a statesmanlike policy is pursued prior to independence, the United States may be forced by the breakdown of the Commonwealth government to intervene under the terms of the Independence Act. This contingency is the more probable because of the division of American authority between a High Commissioner with vague legal powers and a military adviser with considerable unofficial influence. Second, the tendency of the Act to support the political and economic *status quo* by American control until 1946 may dam up tensions which will subsequently burst forth as a result of economic deflation, dictatorship and social instability. This danger is intensified by the United States' failure to call a conference for the settlement of trade relations after independence. Finally, chaotic conditions in the Republic may invite foreign intervention, particularly by Japan—a prospect which might impel Washington to abandon the policy of withdrawal and return to the Islands to forestall domination by another power.

To diminish some of these hazards the trade conference should be held in the near future. The Commonwealth should be permitted to apply increasing tariff barriers against American products and conclude trade agreements with other coun-

67. *Ibid.*, November 2, 1935; April 8, 1936 (statements of Secretary Dern and General MacArthur).

68. American Army personnel in the Philippines totalled 11,810 officers and men, including 6,442 Philippine Scouts, on October 31, 1935. U. S. 74th Congress, 2d session, *Hearings before the Subcommittee of House Committee on Appropriations in Charge of War Department Appropriation Bill for 1937* (Washington, Government Printing Office, 1936), Volume 1, p. 70. Adequate defense of the Philippines by the United States would be a difficult, perhaps impossible undertaking, necessitating an enormously expanded army and navy. Cf. Gen. William C. Rivers, in *New York Times*, June 7, 1936.

69. Commonwealth Acts, Nos. 3, 5, in *Messages of the President*, cited, pp. 158, 170; *Official Gazette*, July 9, 1936, p. 1207.

70. Cf. Commonwealth Act No. 20, approved July 11, 1936, *Official Gazette*, August 6, 1936, p. 1461; *Messages of the President*, cited, pp. 95, 187. Steps will be taken to hem in the Japanese settlement at Davao with a ring of prison farms and agricultural colonies. The entire Mindanao settlement scheme, however, hardly appears to offer a real remedy for the tenant problem. Cf. Salvador P. Lopez, in *Philippines Herald*, October 17, 1936.

71. Under the terms of the Tydings-McDuffie Act, this law must be approved by the President of the United States before it can go into force.

tries. Economic diversification would be facilitated if American technical advisers were available. Capital for new enterprises could be supplied if the United States undertook to expedite return of the gold devaluation and coconut oil funds,<sup>72</sup> on condition that Filipino politicians gave suitable assurances that these would not be spent for militarization or unnecessary pork-barrel projects. This country might even levy an excise on Philippine sugar for the same purpose and thus tap the exorbitant profits of an industry too powerfully entrenched for direct attack by the Commonwealth government. Preferential trade relations should continue after 1946. The State Department has intimated that it contemplates lengthening the period of economic adjustment by specifically excepting the Philippines, regardless of any change in their political status, from the most-favored-nation provisions of thirteen of the Hull trade agreements. By 1946 all the United States' commercial treaties might be similarly altered.

If independence is to be won and maintained, however, it will be necessary to combat what amounts to a covert conspiracy to keep the United States in the Islands. The pressure exerted by Philippine and American commercial groups with a stake in insular economic life coalesces with certain "moral" factors involving racial prestige, American influence in the Far East and the United States' obligation to rescue the Filipino from the clutches of other nations.<sup>73</sup> Completing this nexus of imperialist thought is the apparent attempt, under American military authorities, to make the Islands a strategic asset to the United States.<sup>74</sup>

The constant theme of interests opposing withdrawal is the menace of Japan, which is suspected of preparations to move in as the United States moves out. Alarmed by this possibility most insular politicians—no doubt already concerned over prospective economic and social instability—are said to express privately a desire for indefinite continuation of autonomous status.<sup>75</sup> The potential threat of Japanese economic pressure to develop the Islands, in conjunction with incipient commercial

expansion toward the Equator,<sup>76</sup> is indeed great. If it comes slowly, however, it need not involve a direct political overturn.

Since the United States continues responsible for insular defense until 1946, developments predicted upon its withdrawal—such as a Philippine request for British rule or a shock to the Far Eastern balance of power, forcing Britain to come to terms with Japan—must remain largely in the uncertain realm of long-range conjecture. Much may happen in ten years; the Japanese menace may fade as rapidly as it has loomed on the horizon. It is worthy of mention, however, that since the Philippines, a distant and exposed base, is a strategic liability in the eyes of leading naval authorities, American withdrawal may not in itself disturb the equilibrium of forces in the Western Pacific.<sup>77</sup>

To avert diplomatic difficulties it is possible that abandonment of American naval bases in the Philippines might be bartered against a neutralization agreement. Whether Japan would sign such a pact, with or without an additional *quid pro quo*, is a question to which conflicting answers have been given.<sup>78</sup> Tokyo could scarcely assent to neutralization while the naval base and military mission remain, and might not do so as long as Philippine-American preferential trade relations exist. Should Japanese adherence be unobtainable, the United States would be forced to canvass other possibilities. It might attempt to secure a collective guarantee of Philippine integrity by Britain and the nearby Dominions, France, the Netherlands and China—possibly upheld by joint sanctions. Failing this, it might itself continue to maintain the independence of the Philippines, although public opinion would doubtless demand retention of a degree of internal control commensurate with American responsibilities.<sup>79</sup> Alternatively, should isolationist sentiment be strengthened in this country, the Philippines might be left to their fate. In the last analysis America's relations with the Islands must conform to the general pattern of its Far Eastern policy.

72. Cf. p. 240.

73. For an example of the persuasive logic of imperialism in this case, cf. U. S., 74th Congress, 1st session, Investigation of Conditions in the Philippines: Reports of Senators McKellar and Gibson, *Senate Document No. 57* (Washington, Government Printing Office, 1935), especially part 2, p. 9. Both Senators voted for the Independence Act, but reversed their opinions after a junket to the Islands.

74. Cf. statement of John W. Haussermann, quoted in *Congressional Record*, June 8, 1936, p. 9421.

75. Cf. statement of Roy W. Howard and President Quezon's evasive comment, *New York World-Telegram*, December 10, 1935; *New York Times*, *New York Herald Tribune*, December 12, 1935.

76. Cf. statement of Vice-Admiral Takahashi, *New York Times*, January 24, 1936.

77. Cf. H. C. Bywater, "Japanese and American Naval Power in the Pacific," *Pacific Affairs*, June 1935, p. 168.

78. Cf. Ambassador Hiroshi Saito, *Japan's Policies and Purposes* (Boston, Marshall Jones, 1935), pp. 9, 10, and *New York Times*, August 18, 1935, for affirmative answers; also statement of Foreign Office spokesman, *New York Herald Tribune*, January 11, 1936, for a negative response.

79. Congressional leaders state that changes in the Act must be proposed by the Filipinos. Cf. 74th Congress, 1st session, Independence of the Philippines, Address by Senator Tydings, *Senate Document No. 119* (Washington, Government Printing Office, 1935), pp. 7, 8.